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Message Text

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44
ACTION EB-11

INFO OCT-01 AF-10 EUR-25 NEA-10 ISO-00 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 L-03 PA-03

PRS-01 USIA-15 INT-08 SCEM-02 AGR-20 DRC-01 /175 W
---------- 058704
R 250727Z SEP 73
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 7769
INFO ABU DHABI 0670
AMEMBASSY BEIRUT
AMEMBASSY BONN
AMEMBASSY JIDDA
AMEMBASSY LONDON
AMEMBASSY NAIROBI
AMEMBASSY PARIS
AMEMBASSY TRIPOLI
AMEMBASSY THE HAGUE
USMISSION OECD PARIS

C O N F I D E N T I A L KUWAIT 3495

DEPT PASS TREASURY

NAIROBI FOR USDEL

E.O. 11652:GDS
TAGS: EFIN, KU
SUBJECT: KUWAIT INVESTMENT TRENDS.

SUMMARY: THREE NOTEWORTHY INVESTMENT DEVELOPMENTS TAKING PLACE CURRENTLY. REPATRIATION KUWAITI CAPITAL TO AVOID FOREIGN EXCHANGE RISKS LEADING TO UNUSUALLY LARGE NUMBER PROPOSALS AMONG LOCAL ENTREPENEURS TO ESTABLISH INDUSTRIAL AND OTHER PROJECTS HERE. FOR SAME REASON LOCAL FINANCIAL INSTITUTIONS INTERESTED
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IN MAKING DINAR LOANS AND APPARENTLY FOREIGN BORROWERS

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EXPRESSING SOME INTEREST BECAUSE OF HIGH INTEREST
RATES IN EUROPE AND US. FINALLY, WE ARE GETTING MORE
SPECIFIC INFO ON KUWAITI INVESTMENTS IN US INDICATING
PERHAPS, THAT LEVEL OF INVESTMENT IS INCREASING. END SUMMARY

1. FEBRUARY DOLLAR DEVALUATION, INSTABILITY WORLD
CURRENCY MARKETS AND NOW HIGH INTEREST RATES IN US
AND EUROPE SEEM TO HAVE RESULTED IN THREE NOTEWORTHY
TRENDS IN KUWAITI INVESTMENTS. KUWAITI NERVOUSNESS
OVER FOREIGN EXCHANGE RISKS HAS LED MANY PRIVATE
INVESTORS TO REPATRIATE THEIR FUNDS TO KUWAIT. RESULT
IS THAT THESE INDIVIDUALS NOW SEEKING INVESTMENT OUT-
LETS IN KUWAIT ITSELF. WE AWARE OF PRIVATE KUWATIS
INVESTIGATING AND ACTUALLY INVESTING IN VARIETY
OF PROJECTS INCLUDING BANKS AND OTHER FINANCIAL
INSTITUTIONS, AGRICULTURAL PROJECTS AND INDUSTRIAL
VENTURES.

2. IN LATTER CATEGORY SOME PRIVATE GROUPS WOULD LIKE
TO TAKE LEAD IN FINANCING $300 MILLION PETROCHEMICALS
PROJECT, $500 MILLION ANIMAL FEED PLANT AND, $100 MILLION
STEEL MILL, AMONG OTHERS. WE EXPECT GOK WILL MAKE SURE
IT HAS AT LEAST PARTIAL OWNERSHIP OF LARGE, STRATEGICALLY
IMPORTANT INDUSTRIAL COMPANIES THAT ARE TO BE FORMED,
BUT FACT REMAINS KUWAITI PRIVATE SECTOR PREPARED
BANKROLL SUBSTANTIAL PORTION OF MORE THAN $1 BILLION IN NEW
INDUSTRIAL PROJECTS NOW UNDER CONSIDERATION
HERE AND THAT IN CERTAIN INSTANCES IT PRIVATE
SECTOR WHICH NOW TAKING LEAD AND NOT GOK.

3. GENERALLY UNSTABLE FINANCIAL CONDITIONS ABROAD
ALSO CAUSING LOCAL FINANCIERS TO BE RELUCTANT TO EX-
TEND DOLLAR LOANS AND THEREBY ACCEPT EXCHANGE RISKS.
ON OTHER HAND, THEY VERY INTERESTED IN MAKING KUWAITI
DINAR LOANS WHENEVER POSSIBLE. WE UNDERSTAND THAT
DUE TO CURRENT HIGH INTEREST RATES IN US AND EUROPE
SEVERAL AMERICAN COMPANIES HAVE APPROACHED KUWAITIS
ABOUT DINAR LOANS. THIS HAS LED TO RUMORS THAT GOK
AND IMF DISCUSSING MAKING KUWAIT DINAR CONVERTIBLE
ALONG LINES MAJOR WORLD CURRENCIES. WE NOT AWARE OF
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ANY MAJOR KD LOAN TO US FIRM BUT WE WOULD NOT BE
SURPRISED IF SOME WERE NEGOTIATED IN NEAR FUTURE.

4. THIRD TREND IN CONTINUING, PERHAPS INCREASING,
INTEREST IN MAKING LONG TERM INVESTMENTS IN US. WE
TOLD PRIVATE KUWAITIS INVESTING ON WALL STREET TO
TAKE ADVANTAGE OF LOW PRICES. IF THIS TRUE, IT SUGGESTS
KUWAITIS GETTING OVER TRAUMA WHICH RESULTED FROM

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DOWNTURN IN STOCK MARKET FEW YEARS AGO.

5. WE HAVE ALSO BEEN TOLD BY OFFICIALS THAT GOK CONCENTRATING ON LONG TERM "TANGIBLE" INVESTMENTS. OFFICIALS AT MINISTRY OF FINANCE AND OIL HAVE INDICATED GOK SERIOUSLY LOOKING INTO DOWNSTREAM INVESTMENTS IN PETROLEUM SECTOR AND SOME OFFICIALS PARTICULARLY INTERESTED IN INVESTING IN NEW TECHNOLOGY ENERGY AREA. AS DEPARTMENT AWARE KUWAIT NATIONAL PETROLEUM COMPANY ALREADY WELL ALONG IN INVESTMENT IN PRODUCT TERMINAL.

6. LAND CONTINUES TO ATTRACT KUWAITI INVESTORS, PARTICULARLY IN SOUTHERN US BUT ALSO IN CATTLE RAISING VNETURES IN MID-WEST. WE ALSO AWARE OF MORE THAN ONE BANKING VENTURE KUWAITIS LOOKING INTO. PERHAPS OF SPECIAL SIGNIFICANCE IS READINESS CERTAIN KUWAITI INDIVIDUALS AND INSTITUTIONS TO MAKE FIRST DIRECT INVESTMENT IN US AFTER GENERAL HESITANCY TO DO SO IN RECENT PAST.

7. COMMENT: FOREGOING BASED ON INFORMATION AVAILABLE TO US DURING CONTACTS WITH SEVERAL KUWAITI OFFICIALS AND BUSINESSMEN. BELIEVE KUWAITI FINANCIAL INSTITU-TIONS STILL WARY OF BUILDING UP DOLLAR ASSETS AND SUSPECT THEY PLACING FUNDS IN STRINGER CONTINENTAL CURRENCIES. FYI GUILDER REVALUATION SEEMED HAVE LITTLE EFFECT HERE END FYI. SIGNIFICANCE OF TRENDS IS (1) KUWAITIS, INCLUDING GOK, LOOKING TO US AS FOCUS FOR CONSIDERABLE PORTION THEIR LONG-TERM INVEST-MENTS: (2) THERE MAY BE SOME MOVEMENT AMONG US AND OTHER FOREIGN BORROWERS TO ACCEPT EXCHANGE RISKS BY BORROWING DINARS AND (3) INCREASING PRIVATE
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INVESTMENT IN KUWAIT ITSELF SHOULD STIMULATE ALREADY BUOYANT ECONOMY AND THIS IN TURN SHOULD LEAD TO UNPRECEDENTED OPPORTUNITIES FOR US FIRMS TO SUPPLY GOODS AND SERVICES WHICH WILL BE IN HIGH DEMAND BY ORGANIZERS NEW INDUSTRIAL, AGRICULTURAL AND FINANCIAL COMPANIES.
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